

Nebraska Advantage Microenterprise Tax Credit Act

The Nebraska Advantage Microenterprise Tax Credit Act allows a person actively involved in the day-to-day activities of a small business which is located in a distressed area to apply for tax credits. The business must have five or fewer full-time equivalent employees to participate in the Nebraska Advantage Microenterprise Tax Credit Act. The business must be located in a municipality, county, unincorporated area within a county, or an enterprise zone with an unemployment rate above the state average, a per capita income below the state average, or a population decrease based on the last census.

The person actively involved in the business must file an application which describes their involvement, the expected investment or employment growth, and states the tentative tax credits for the year of application and the following year. Each individual, and their related parties, are limited to a \$10,000, lifetime credit.

The individual earns a refundable income tax credit equal to 20% of the business's new investment or employment not to exceed the amount of tentative tax credits approved based on the application. New investment is an increase in purchases of buildings and depreciable assets, or repairs and maintenance in the year of application and the following year as compared to the year prior to application. New employment is an increase in employee compensation in the year of application and the following year as compared to the year prior to application. The individual shall claim the tax credit when filing their Nebraska income tax return.

Applications requesting up to the adjusted limit of \$2 million may be authorized for each calendar year. All funds available for 2006 were authorized. The 2006 applications estimated an investment increase of \$14,401,657 and an increase in employee compensation of \$10,930,321.